

Alamo FCU -- Comments on Advanced Notice of Proposed Rulemaking for Part 704

SW Corporate Federal Credit Union(SWCORP), is the primary financial institution for Alamo Federal Credit Union, which uses the full lines of account services, settlement services, payment and correspondent services, and investment and liquidity products. The elimination of any of these components would effectively lead to greater operational costs, eliminate options for credit unions to conduct business and ultimately result in higher costs and fees for Alamo FCU's members.

SWCORP should be allowed to maintain the existing business line structure. The recent crisis has underscored several best practices that should be employed, including securing multiple borrowing sources and establishing adequate cash reserves to cover unexpected short-term liquidity swings. Ensuring that funds are available to cover settlement in both normal and stressed scenarios can be achieved through existing corporate liquidity management processes and examiner review rather than stipulated in regulation.

Comments on Part 704 ANPR, Corporate Credit Unions

Payment System

Payment services should be separated from investment services. Corporate credit unions should be allowed to continue to offer investment services via a CUSO.

Liquidity Management

Liquidity should remain a service of the corporate system.

Field of Membership

Consolidation of the corporates will secure economies of scale.

Investment Authority

NCUA must ensure that examiner experience is enough to provide appropriate oversight of the expanded investment authorities of the corporate CUSOs.

Two-Tiered System

There is no continuing need for a two-tier corporate system. The current tiered system has generated an unacceptable level of risk from a "single point of failure"—the wholesale corporate credit union. Services offered by the existing wholesale corporate credit union can be obtained elsewhere such as the Federal Reserve.

Core Capital

Appropriate capital levels should be determined based on the specific corporate credit union services offered, with an investment services charter requiring a higher level of core capital relative to a payment services charter.

Membership Capital

Corporates should manage capital and be provided with alternatives to account for possible withdrawals.

Risk-Based and Contributed Capital

Contributed capital should not be mandated of natural person credit unions seeking corporate credit union services. Rather, pricing should be used to differentiate between members maintaining contributed core capital with the corporate and nonmembers of the corporate.

Credit Risk Management

Regulatory and examination oversight of the corporates should be on a par with natural person credit unions. Whether risk evaluations are conducted by independent parties or the NCUA, the process and outcomes should be made more transparent so that natural person credit unions are better able to perform the necessary due diligence to arrive at a satisfactory level of risk placed with the corporates.

Asset Liability Management

Reinstating net interest income modeling and stress testing would seem prudent for corporate credit union regulations.

Corporate Governance

Corporate credit union board members should be individually able to demonstrate appropriate standards of knowledge and expertise.